

PRIVATIZING SOCIAL SECURITY:

A LOSE-LOSE PROPOSITION FOR YOUNGER WORKERS

SOCIAL SECURITY 101

A Guaranteed Retirement Benefit: Social Security ensures a guaranteed flow of retirement income for both you and your parents. The guaranteed benefit helps ensure that every American is able to live their retirement years with dignity and independence.

- 1 out of every 6 Americans (about 48 million) receives Social Security benefits. Nearly 1 in 4 households receive income from Social Security.

More than Retirement: Social Security provides a guaranteed benefit in the case of disability or death for you and those in your family who depend on your financial support.

- About 30 percent of Social Security beneficiaries (15 million people) receive disability or survivor benefits.
- A 20-year old has a 3 in 10 chance of dying or becoming disabled before retirement age.
- For a 27-year-old worker with a spouse and two children, Social Security provides the equivalent of a \$403,000 life insurance policy and a \$353,000 disability insurance policy.

A LONG-TERM CHALLENGE THAT MUST BE ADDRESSED

Nearly 50 years of Full Benefits: According to the nonpartisan Congressional Budget Office, Social Security will be able to pay full benefits for almost 50 years, and even after that, the system will be able to pay about 80 percent of benefits.

- The Trust Fund currently holds \$1.7 trillion in U.S. Treasury bonds, which are widely considered the safest investment on earth. The United States has never defaulted on a Treasury bond and Social Security has redeemed bonds in the Trust Fund at least 11 times.

A Bipartisan Solution: Democrats are committed to strengthening Social Security and are ready to work on a bipartisan basis to make that happen. But, Democrats are not willing to rush and dismantle Social Security; we must take the time to do this right so that today's workers do not pay the price.

PRIVATIZATION WOULD MAKE THE PROBLEM WORSE

Massive New Debt: Privatization would drain trillions of dollars from the Social Security Trust Fund. Creating these accounts would require nearly \$5 trillion of additional debt over 20 years. Paying back this debt will fall on the shoulders of young people today.

- A massive increase in debt would threaten economic growth, raise interest rates, and mortgage our future by necessitating tax increases in the future.
- Higher taxes and interest will consume much, if not all, of the gains from private accounts.
- Increased borrowing will tie Social Security's financial health to the willingness of foreign governments to continue lending us money.

Deep Benefit Cuts: Privatization would slash benefits by more than 40 percent for future retirees by changing the way Social Security benefits are calculated, even for those who choose not to open an account. These benefit cuts hit younger workers the hardest.

- A young worker today would lose about \$152,000 in benefits under the leading privatization plan.

Tax on the Private Account: A “privatization tax” would be imposed on private accounts. As a result, the government would take back 70 cents for every dollar in a typical private account through a monthly deduction from your Social Security check.

- If an account earned an average rate of return and ended with a balance of \$220,000, the account would be assessed with a privatization tax of \$155,000 (which would be deducted from the Social Security check). This tax would be in addition to the benefit cuts that will affect all Social Security beneficiaries.
- The privatization tax could be higher if the private account does not perform well.

A DIVERSIFIED RETIREMENT PORTFOLIO

Stable Source of Income: Social Security is designed to be the stable portion of a retirement portfolio to help seniors maintain a basic standard of living.

- Social Security ensures that benefits include an annual cost-of-living adjustment.
- Social Security has extremely low overhead -- less than 1 percent of worker contributions are spent on administrative costs.

Diversifying Risk: Investing in the market carries risk and Social Security allows workers to diversify that risk in the event that they retire during a market downturn.

- A guaranteed, inflation-protected Social Security benefit allows individuals the freedom to take risks and build wealth with other investments.

Creating Wealth and Encouraging Savings: Democrats are committed to doing more to help people save and create wealth by strengthening and expanding access to 401(k)s, IRAs, and other types of pensions.



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